

(e) *Action on request for final confirmation and approval of rates.* Filed rates will be considered for final confirmation and approval if the relevant filing complies with the filing requirements of subpart B of these regulations. The Commission may take any of the following actions:

(1) Confirm and approve the rate schedules for the period beginning with the date such rates were placed in effect on an interim basis or the effective date requested in the application to the expiration date requested in the application but not to exceed a five-year period, or for such lesser period, as the Commission deems appropriate;

(2) Remand the filing for further development of the record to support the filed rate schedules;

(3) Order an evidentiary hearing if there are questions of fact which can not be resolved from the record or through staff evaluation;

(4) Disapprove the filed rates; or

(5) Take such other action that the Commission considers appropriate.

(f) *Procedures upon disapproval.* If the Commission disapproves the rates, the Administrator will be provided a 120-day period, or other period as the Commission may deem appropriate, to prepare substitute rates that resolve the Commission's concerns. If the filed rates have been approved on an interim basis, the rates will continue in effect on an interim basis until the Commission takes final action.

(g) *Refund and interest*—(1) *Refund.* If a rate collected by any power marketing administration on an interim basis exceeds the rate which is confirmed and approved by the Commission as a final rate, the Administrator, pursuant to any conditions established by the Commission, must refund with interest any portion of the rate increase collected during the interim period which exceeds the final rate. The Administrator may make refunds by means of a net energy billing which reflects the value of any overcharge or other appropriate methods.

(2) *Interest.* Except as otherwise provided by the Commission, the Administrator must compute any amount of interest based on the revenues collected subject to refund and required to be refunded under this paragraph by using:

(i) With respect to the rates of the Bonneville Power Administration, the rate of interest or a weighted average of all rates of interest charged to the Bonneville Power Administration by the U.S. Treasury during the period for which the computation is made;

(ii) With respect to the rates of other Power Marketing Administrations, the rates of interest computed in accordance with the formula contained in DOE Order No. RA 6120.2, available from the Department of Energy (Office of Power Marketing Coordination) and the Power Marketing Administrations.

(h) *Notice of action on final approval.* The Commission's Secretary will publish in the FEDERAL REGISTER a notice of any action taken under paragraph (e) of this section and will mail the notice to the persons on the Commission's service list.

[Order 382, 49 FR 25235, June 20, 1984, as amended by Order 323-B, 52 FR 20709, June 3, 1987]

## PART 301—AVERAGE SYSTEM COST METHODOLOGY FOR SALES FROM UTILITIES TO BONNEVILLE POWER ADMINISTRATION UNDER NORTHWEST POWER ACT

AUTHORITY: Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. 839—839h.

### § 301.1 Average system cost methodology.

(a) *Applicability.* This section applies to the sales of electric power by any public utility to the Bonneville Power Administration pursuant to section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), 16 U.S.C. 839—839h.

(b) *Definitions.* For purposes of this section the following definitions apply:

(1) *Average system cost (ASC)* means for each jurisdiction and each exchange period the quotient obtained by dividing Contract Systems Costs by Contract System Load.

(2) *Contract system costs* means the Utility's Costs for production and transmission resources, including power purchases and conservation measures, which Costs are includable

in, jurisdictionally allocated by, and subject to the provisions of Appendix 1. Contract System Costs do not include Costs excluded from ASC by section 5(c)(7) of the Northwest Power Act.

(3) *Contract system load* means the firm energy load used by the State Commission for the purpose of establishing retail rates, adjusted pursuant to the Average System Cost Methodology rule.

(4) *Costs* means the aggregate dollar amount or any portion of the amount allowed or relied upon by the State Commission to determine the test period revenue requirement for the Utility in a Jurisdiction.

(5) *Exchange period* means the period of time during which a Utility's jurisdictional retail rate schedules are in effect, commencing with the effective date of these schedules and ending with the effective date of new retail rate schedules in the Jurisdiction; provided that no Exchange Period shall commence prior to or extend beyond the term of the Utility's Residential Purchase and Sales Agreement. For the purposes of any initial Appendix 1 filing, the Exchange Period shall commence on the date such Appendix 1 is filed and end with the effective date of the next retail rate change.

(6) *Jurisdiction* means the service territory of the exchanging Utility within which a State Commission has authority to approve the retail rates.

(7) *New large single load* means that load defined in section 3(13) of the Northwest Power Act, and as determined by BPA as specified in power sales contracts with its customers.

(8) *Regional power sales customer* means any entity that contracts directly with BPA for the purchase of power delivery in the region as defined by section 3(14) of the Northwest Power Act.

(9) *Test period* means the time period (not less than 12 months) used by the State Commission to determine Cost for retail ratemaking.

(10) *State Commission* means a State regulatory body, preference utility governing body, or other entity authorized to establish retail electric rates in a Jurisdiction.

(11) *File or filed* means that the Appendix 1 has been:

(i) Hand delivered to the Division of Financial Requirements; Bonneville Power Administration; Portland, Oregon; or

(ii) Mailed to BPA by certified mail, return receipt requested, to the following address:

Bonneville Power Administration,  
Division of Financial Requirements,  
Routing: DN, P.O. Box 3621, Portland,  
Oregon 97208

and has been received by BPA. An Appendix 1 shall be considered to be filed as of the date of the postmark on the certified mailing.

(12) *Review period* means that period of time during which a Utility's Appendix 1 is under review by the Administrator. The review period begins when an Appendix 1 is filed and ends two hundred and ten (210) days after the Utility filed its Appendix 1.

(c) *Phase-in*. For the period beginning with the effective date of this rule and ending June 30, 1985, a utility's ASC will be the average of the ASC in effect on July 1, 1984 and the ASC calculated under this section. Beginning July 1, 1985, each utility's ASC will be calculated exclusively under this section.

(d) *Filing procedures*. The procedures established by the Administrator provide the filing requirements for all utilities that file an Appendix 1.

(1) Appendix 1 is a form that identifies Contract System Costs and Contract System Load and permits the calculation of ASC.

(2) For each Exchange Period and for each regional Jurisdiction in which a Utility provides service, the Utility shall complete and file three copies of Appendix 1, in accordance with the Administrator's procedures and § 35.30 of this chapter.

#### APPENDIX I TO § 301.1—AVERAGE SYSTEMS COST METHODOLOGY

Appendix 1 is the form on which a Utility participating in a Residential Purchase and Sale Agreement shall report its Contract System Costs and other necessary data for the calculation of ASC.

The form consists of four schedules that shall be completed by the Utility in accord with these instructions and the provisions of the footnotes following the schedules. Any items not applicable to the Utility shall be so identified.

The schedules are as follows:

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Schedule 1—Plant Investment/Rate Base/  
Rate of Return

Schedule 2—Weighted Average Cost of Long  
Term Debt

Schedule 3—Expenses

Schedule 4—Average System Cost

The filing Utility shall reference and at-  
tach workpapers that support Costs, includ-  
ing details of allocation and  
functionalization.

All references to the Commission accounts  
are to the Commission Uniform System of  
Accounts as of July 1, 1984. The Costs includ-  
able in the attached schedules are those in-  
cludable by reason of the definitions in the  
Commission accounts. If the Commission ac-  
counts are later revised or renumbered, any  
changes shall be incorporated into this form  
by reference, except to the extent that BPA  
determines that a particular change results  
in a change in the type of Costs allowable for  
exchange purposes. If the Utility does not  
follow the Commission accounts, its filing  
must include a reconciliation between its ac-

counts and the items allowed as Contract  
System Costs.

BPA may require the Utility to account  
for purchased power transactions with affili-  
ated entities as though the affiliated entities  
were owned in whole or in part by the Util-  
ity, if necessary to properly determine and/  
or functionalize the Utility's Costs.

A utility operating in more than one Juris-  
diction shall allocate its total system Costs  
among Jurisdictions in accord with the same  
allocation methods and procedures used by  
the State Commission to establish jurisdic-  
tional Costs and resulting revenue require-  
ments. Appendix 1 shall include details of  
the allocation. This allocation also accom-  
plishes the exclusion of the Costs of addi-  
tional resources to meet loads outside the re-  
gion, as required by section 5(c)(7) of the  
Northwest Power Act.

All schedule entries and supporting data  
shall be in accord with generally accepted  
accounting principles and practices as these  
principles and practices apply to the electric  
utility industry.

SCHEDULE 1—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD

[Plant investment rate base/rate of return (thousands)]

[See footnotes at end of Appendix]

Line No.	Items  (1)	Total to be functionalized  (2)	Functionalization		
			Production  (3)	Transmission  (4)	Other  (5)
	Production Plant:				
1	Steam production, 310–316.				
2	Nuclear production, 320–325.				
3	Hydraulic production 330–336.				
4	Other production plant, 340–346.				
5	Total production plant.				
6	Transmission plant, 350–359 <sup>a</sup> .				
7	Distribution plant, 360–373 <sup>b</sup> .				
8	Intangible plant, 301–303 <sup>i</sup> .				
9	General plant, 389–399 <sup>j</sup> .				
10	Electric plant-in-service.				
	Less:				
11	Depreciation Reserve, 108.				
12	Steam plant.				
13	Nuclear plant.				
14	Hydraulic plant.				
15	Other plant.				
16	Transmission plant <sup>a</sup> .				
17	Distribution plant <sup>b</sup> .				
18	General plant <sup>i</sup> .				
19	Amortization reserve 111 <sup>i</sup> .				
20	Total depreciation and amortization.				
21	Total net plant.				
22	Nuclear fuel 120.2–120.4 less 120.5.				
23	Accumulated deferred debits 186 <sup>i</sup> .				
24	Cash working capital <sup>h</sup> .				
25	Materials and supplies 151–157, 163 <sup>i</sup> .				
	Less:				
26	Accumulated deferred investment tax credit/255 <sup>i</sup> .				
27	Accumulated deferred income taxes/281–283 <sup>i</sup> .				
28	Other accumulated deferred credits/253, 257– 257 <sup>i</sup> .				
29	Customer contributions and aid to construction/ 252 <sup>i</sup> .				
30	Other 106, 124, various <sup>i,j</sup> .				
31	Total rate base.				

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**SCHEDULE 1—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD—Continued**

[Plant investment rate base/rate of return (thousands)]

[See footnotes at end of Appendix]

Line No.	Items	Total to be functionalized	Functionalization		
			Production	Transmission	Other
	(1)	(2)	(3)	(4)	(5)
32	Times rate of return at ____ pct. <sup>d</sup> .				

**SCHEDULE 2—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY, TEST PERIOD**

[Weighted average cost of long-term debt]

[See footnotes at end of Appendix]

Line No.	Items	Date of issue	Date of maturity	Interest rate	Face amount	Premium	Discount	Issue expense	Net proceeds	Interest expense
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16	Weighted average cost of long-term debt.									

**SCHEDULE 3—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD**

[Expenses (thousands)]

[See footnotes at end of Appendix]

Line No.	Items	Total to be functionalized	Functionalization		
			Production	Transmission	Other
	(1)	(2)	(3)	(4)	(5)
1	Production:				
2	Fuel, 501, 518, 547.				
	Purchased power, 555.				
	Operations and Maintenance:				
3	Steam, 500, 502–514.				
4	Nuclear, 517, 519–532.				
5	Hydro, 535–545.				
6	Other, 546, 548–554.				
7	Total production expenses.				
8	Transmission, 560–573 <sup>a</sup> .				
9	Distribution, 580–598 <sup>b</sup> .				
10	Customer accounting, 901–905.				
11	Customer assistance, 907–910.				
	Administrative and General:				
	Account No.:				
12	920.				
13	921.				
14	922.				
15	923.				
16	924.				
17	925.				

**SCHEDULE 3—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD—Continued**

[Expenses (thousands)]  
[See footnotes at end of Appendix]

Line No.	Items	Total to be functionalized	Functionalization		
			Production	Transmission	Other
	(1)	(2)	(3)	(4)	(5)
18	926.				
19	927.				
20	928.				
21	929.				
22	930.1.				
23	930.2.				
24	931.				
25	932.				
26	Total A and G.				
27	Total operations and maintenance.				
28	Depreciation and amortization, 403–407.				
29	Steam production plant.				
30	Nuclear production plant.				
31	Hydraulic production plant.				
32	Other production plant.				
33	Transmission plant <sup>a</sup> .				
34	Distribution plant <sup>b</sup> .				
35	General plant <sup>l</sup> .				
36	Amortization <sup>l</sup> .				
37	Total depreciation and amortization.				
38	Taxes other than income taxes 408, 409 <sup>l</sup> .				
39	Federal income tax <sup>l</sup> .				
40	State income tax <sup>l</sup> .				
41	Other expenses <sup>l</sup> .				
	LESS:				
42	Sales for resale revenue 447.				
43	Other operating revenues 450–456 <sup>l</sup> .				
44	Billing credits <sup>c</sup> .				
45	Total operating expenses.				
46	Return from schedule 1.				
47	Other adjustments.				
48	Total cost.				

**SCHEDULE 3A—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD**

[Taxes other than income taxes (thousands)]  
[See footnotes at end of Appendix]

Line No.	Items	Total to be functionalized	Functionalization		
			Production	Transmission	Other
	(1)	(2)	(3)	(4)	(5)
1	Federal:				
2	Insurance contributions.				
	Unemployment.				
	State:				
	California:				
3	Property.				
4	Unemployment.				
	Oregon:				
5	Property.				
6	Tri-met.				
7	Lane county.				
8	Unemployment.				
9	Regulatory commission.				
	Washington:				
10	Property.				
11	Unemployment.				
12	Generating tax.				
13	Pollution control credit.				
3a	Revenue and business.				
	Idaho:				

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**SCHEDULE 3A—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD—Continued**

[Taxes other than income taxes (thousands)]  
[See footnotes at end of Appendix]

Line No.	Items	Total to be functionalized	Functionalization		
			Production	Transmission	Other
	(1)	(2)	(3)	(4)	(5)
14	Property.				
15	Montana:				
16	Property.				
17	Unemployment.				
18	Wyoming:				
19	Property.				
20	Unemployment.				
21	Utah:				
22	Property.				
23	Local—Occupation and franchise.				
	In-lieu taxes.				
	Other.				
	Total.				

Note:

1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

**SCHEDULE 3B—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD**

[Other included items (thousands)]  
[See footnotes at end of Appendix]

Line No.	Items	Total to be functionalized	Functionalization		
			Production	Transmission	Other
	(1)	(2)	(3)	(4)	(5)
1	Operating revenues:				
2	Sales for resale 447.				
3	1.				
4	2.				
5	Total.				
6	Other Operating Revenues 450–456 <sup>1</sup> .				
7	Acct. 450.				
8	Acct. 451.				
9	Acct. 452.				
10	Acct. 453.				
11	Acct. 454.				
12	Acct. 455.				
	Acct. 456.				
	Total other revenues.				

Note:

1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

**SCHEDULE 4—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD**

[Average system cost]  
[See footnotes at end of Appendix]

Line No.	Items	Amounts
	(1)	(2)
1	Contract system costs:	
2	Production cost (from schedule 3).	
3	Transmission cost (from schedule 3).	
4	Less excluded load costs <sup>1</sup> .	
5	Total contract system costs.	
6	Contract system load:	

**SCHEDULE 4—BONNEVILLE POWER ADMINISTRATION, RESIDENTIAL PURCHASE AND SALE  
AGREEMENT—AVERAGE SYSTEM COST METHODOLOGY TEST PERIOD—Continued**

[Average system cost]  
[See footnotes at end of Appendix]

Line No.	Items	Amounts
	(1)	(2)
7	Total load (MWh).	
8	Less:	
9	Nonfirm adjustment (MWh).	
10	Other adjustments (MWh).	
11	Net load (MWh).	
12	Plus:	
13	Distribution losses (MWh) <sup>a</sup> .	
14	Total net load (MWh).	
15	Less:	
16	Excluded load (MWh) <sup>f</sup> .	
17	Excluded load Dist. losses (MWh).	
18	Total contract system load (MWh).	
19	Average system cost (Mills/kWh) (line 5/line 18).	

**AVERAGE SYSTEM COST METHODOLOGY FOOTNOTES**

<sup>a</sup>Transmission plant and the associated cost to be used in the calculation to the average system cost (ASC) are limited to:

(1) For transmission plant in service as of July 1, 1984, transmission plant will be as defined by the Federal Energy Regulatory Commission Uniform System of Accounts and will include radial transmission lines.

(2) For transmission plant commencing service after July 1, 1984, transmission plant costs which can be exchanged are limited to transmission that is directly required to integrate resources to the transmission system grid. Specifically, transmission costs which can be exchanged are limited to the lesser of the costs of transmission facilities required to transmit power from the generating resource to the exchanging utility's system or the sum of the costs of the transmission facilities required to integrate the generating resource to the BPA system and the wheeling costs necessary to wheel the power to the exchanging utility's system. If the utility chooses to construct facilities which are more costly than the facilities required to interconnect to the BPA system, the total costs to be exchanged shall be no greater than the facility costs that would have been incurred to interconnect with the BPA system.

<sup>b</sup>Distribution plant means all land, structures, conversion equipment, lines, line transformers, and other facilities employed between the primary source of supply (i.e., generating station, point of receipt in the case of purchased power) and of delivery to customers, which are not includable in transmission system, as defined in footnote a(1), whether or not such land, structures, and facilities are operated as part of a transmission system or as part of a distribution system. Stations that change electricity from transmission to distribution voltage shall be classified as distribution stations.

Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights-of-way shall be classified as transmission facilities. The conductors shall be classified as transmission or distribution facilities according to the purpose for which they are used. Land (other than rights-of-way) and structures used jointly for transmission and distribution purposes shall be classified as transmission or distribution according to their major use.

<sup>c</sup>Contract System Costs shall reflect the costs and the revenues arising from conservation and/or retail rate schedules implemented to induce conservation, and for which the utility receives billing credits. These billing credit revenues shall be functionalized on the same basis as the cost of the related conservation measures.

<sup>d</sup>The overall rate of return to be applied to a utility's Exchange Period rate base as shown in Appendix 1 shall be equal to its weighted average cost of long term debt. The utility's overall rate of return times rate base will equal the utility's return provided that if depreciation is not used for jurisdictional ratesetting, then return will be equal to the lessor of: (1) Interest expense plus depreciation, or (2) debt service and revenue financed capital expenditures. In no event will the sum of Contract System Cost and Distribution/Other costs be greater than the revenue requirement used to set rates.

<sup>e</sup>A tax-exempt utility may include in-lieu taxes up to an amount that is comparable, for each unit of government paid in-lieu taxes, with taxes that would have been paid by a nontax exempt utility to that unit of government. In no event shall the utility's regional total in column 2 be greater than the actual amount paid or the amount used to determine the total revenue requirement for the test period. In-lieu taxes shall be functionalized according to a direct analysis included with the Appendix 1 or to Distribution/Other.

<sup>f</sup>The cost of additional resources sufficient to serve any New Large Single Load that was not contracted for, or committed to, prior to September 1, 1979, is to be determined as follows:

(1) To the extent that any New Single Loads are served by dedicated resources, at the cost of those resources, including applicable transmission;

(2) In the amount that New Large Single Loads are not served by dedicated resources, at BPA's New Resources rates as established from time to time pursuant to section 7(f) of the Regional Act and as applicable to the utility, and applicable BPA transmission charges if transmission costs are excluded in the determination of BPA's New Resource rate, to the extent such costs are recovered by the utility's retail rates in the applicable jurisdiction; and

(3) To the extent that New Large Single Loads are not served by dedicated resources plus the utility's purchases at the new Resource Rate, the costs of such excess load shall be determined by multiplying the kilowatt-hours not served under subsections (1) and (2) above by the cost (annual fixed plus variable cost, including an appropriate portion of general plant, administrative and general expense and other items not directly assignable) per kilowatt-hour of all baseload resources and long term power purchases (five years or more in duration), as allowed in the regulatory jurisdiction to establish retail rates during the Exchange Period, exclusive of the following resources and purchases: (a) Purchases at the New Resources rate pursuant to section 7(f) of the Act; (b) purchases at the Federal Base System rate, pursuant to section 5(c) of the Act; (c) resources sold to BPA, pursuant to section 6(c)(1) of the Act; (d) dedicated resources specified in footnote k(1) of this methodology; (e) resources and purchases committed to the utility's load as of September 1, 1979, under a power requirements contract or that would have been so committed had the utility entered into such a contract; and (f) experimental or demonstration units or purchases therefrom. Transmission needed to carry power from such generation resources or power purchases shall be priced at the average cost of transmission during the Exchange Period.

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(4) Any kilowatt-hours of New Large Single Loads not met under subsection (1), (2), or (3) above will be assumed to be supplied from the most recently completed or acquired baseload resource(s) or long term power purchase(s), exclusive of dedicated resources and experimental or demonstration resources or purchases therefrom, that are committed to the utility's load as of September 1, 1979, under a power requirements contract. The cost of these generation resources and long-term power purchases and the transmission cost associated with these resources or purchases will be calculated as specified in subsection (3) above.

(5) If the New Large Single Load is served on any energy or capacity interruptive basis, the utility shall prepare a calculation subject to review by BPA of the fixed (if any) and variable costs of providing such service, except that the amount excluded from ASC for the New Large Single Load shall not be less than the transmission and generation cost included in the retail rate charged the New Large Single Load.

<sup>a</sup>The losses shall be the distribution energy losses occurring between the transmission portion of the utility's system and the meters measuring firm energy load. Losses shall be established according to a study (engineering, statistical and other) that is submitted to BPA by the exchanging utility subject to review by BPA. This study shall be in sufficient detail so as to accurately identify average distribution losses associated with the utility's total load, excluded loads, and the residential load. Distribution losses shall include losses associated with distribution substations, primary distribution facilities, distribution transformer, secondary distribution facilities and service drops.

<sup>b</sup>Cash Working Capital greater than 1/3rd Operations and Maintenance expenses less fuel and purchased power expenses is functionalized to Distribution/Other. The remainder of Cash Working Capital shall be functionalized on the basis of Operations and Maintenance expenses less fuel and purchased power.

<sup>c</sup>Conservation costs are costs of measures or resources for which power is (or is planned to be) saved by means of physical improvements, alterations, devices, or other installations which are measurable in units. A contract charge paid pursuant to BPA's long term conservation contract will be an allowable conservation cost in Average System cost. Only conservation cost funded by the utility will be functionalized to Production in the Utility's Average System Cost. Conservation costs incurred to promote changes in consumer behavior including costs attributable to audits, brochures, advertising pamphlets, leaflets, and similar items, or required by a government entity through building code provisions or programmatic conservation costs in lieu of building code provisions, will be functionalized to Distribution/Other. Conservation surcharges imposed pursuant to section 4(f)(2) of the Northwest Power Act, or other similar surcharges or penalties imposed on a Utility for failure to meet required conservation efforts will also be functionalized to Distribution/Other. Conservation and associated costs must be generally consistent with the Regional Council's resource plan as determined by the Administrator.

### <sup>d</sup>FUNCTIONALIZATION:

Except for those accounts that are required to be functionalized under subsection III(C) below, functionalization of each account included in the Utility's ASC shall be by either, but not both, of the following two methods:

(1) Direct analysis, or (2) according to the specific functionalization ratios applied to the various Uniform System of Accounts. These two methods are described below in subsections III(A) and III(B), respectively.

### I. RULES

(A) If a Utility has previously functionalized an account by direct analysis as set forth in subsection III(A) below, the utility is not allowed to use the specific functionalization ratio method without prior approval from BPA.

(B) The Utility must submit with its ASC filing any and all workpapers, documents, or other materials that demonstrate that the functionalization under its direct analysis assigns costs based upon the actual and/or intended functional use of those items. Failure to submit such documentation will result in the entire account being functionalized to Distribution/Other.

(C) For Accounts 389, 390, 391 and 392 and Accounts 920, 921, 922, 930.2 and 932, the utility may functionalize these accounts using one, but not any combination, of the following functionalization methods, whichever assigns the highest cost to the Production and Transmission function:

1. Subsection III(A) described below;

2. Subsection III(B) described below; or

3. For publicly-owned and cooperative utilities that have neither generation facilities nor affiliated generation organization over which the utility exercises over half of the voting rights, 10 percent of gross plant investment may be assigned directly to Production and 10 percent of labor costs assigned to Production. The remainder of Accounts 389, 390, 391, and 392 will be functionalized using Transmission and Distribution Gross Plant Ratios excluding General Plant.

The remainder of Accounts 920, 921, 922, 930.2 and 932 will be functionalized using the Labor Ratio for Transmission and Distribution, and the balance assigned to Distribution/Other.

### II. DEFINITIONS

For purposes of subsections III(A) and III(B) *Labor Ratios* is defined as the ratios which assign costs on a pro rata basis using salary and wage data for production, transmission, and distribution/other functions included in the Test Period costs on which Appendix 1 is based. If however, this information is unavailable, comparable data shall be used for the most recent calendar year as reported on the Federal Energy Regulatory Commission Form 1 (at page 355), or similar document for those utilities not required to file Federal Energy Regulatory Commission Form 1.

### III. FUNCTIONALIZATION METHODS

(A) By direct analysis which assigns costs to either the production, transmission, or distribution function of the utility. Such analysis is subject to BPA review and approval.

(B) According to the following specific functionalization methods:

#### *Account and Functionalization Method*

##### 1. Rate Base Accounts:

310-373 (Plant in Service)—Functionalize directly according to the Federal Energy Regulatory Commission System of Accounts.



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389 (Land and Land Rights)—Functionalize on the ratios of Production, Transmission and Distribution Gross Plant excluding General Plant.

390 (Structures and Improvements)—Functionalize on the ratios of Production, Transmission and Distribution Gross Plant excluding General Plant.

391 (Office Furniture and Equipment)—Labor ratios.

392 (Transportation Equipment)—Functionalize on the ratio of Transmission and Distribution Gross Plant excluding General Plant.

393 (Stores Equipment)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

394 (Tools, Shop and Garage Equipment)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

395 (Laboratory Equipment)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

396 (Power Operated Equipment)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

397 (Communication Equipment)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

398 (Miscellaneous Equipment)—Functionalize to Distribution/Other.

399 (Other Tangible Property)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

301–303 (Intangible Plant)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

114 (Acquisition Adjustment)—Labor Ratios.

105 (Plant Held for Future Use)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

120.2–120.4 less 120.5 (Nuclear Fuel)—Functionalize to Production.

186 (Miscellaneous Debits)—Labor Ratios.

252 (Customer Advances)—Functionalize to Distribution/Other.

253 (Other Deferred Credits)—Functionalize to Distribution/Other.

255 (Accumulated Deferred Investment Tax Credits)—Functionalize to Distribution/Other.

257 (Unamortized Gain on Reacquired Debt)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

281–283 (Accumulated Deferred Income Taxes)—Functionalize to Distribution/Other.

151–152 (Fuel Stock)—Functionalize to Production.

153–157, 163 (Materials and Supplies)—Functionalize on the ratio of Transmission and Distribution Gross Plant including General Plant.

106 (Completed Construction not Classified)—Functionalize on the ratio of Production, Transmission and Distribution Gross Plant excluding General Plant.

124 (Other Investment)—Functionalize to Distribution/Other.

184 (Clearing Accounts)—Labor Ratios.

Other Rate Base Accounts—Functionalize to Distribution/Other.

### 2. Expense Accounts:

501–577 (Fuel, Purchased Power and Power Production Expenses)—Functionalize to Production.

560–573 (Transmission Expenses)—Functionalize to Transmission.

580–598 (Distribution Expenses)—Functionalize to Distribution/Other.

901–905 (Customer Accounts Expenses)—Functionalize to Distribution/Other.

907 (Customer Service Information Expenses—Supervision)—Functionalize to Distribution/Other.

908–910 (Other Customer Service Information Expenses)—Functionalize to Distribution/Other.

911–916 (Sales Expenses)—Functionalize to Distribution/Other.

920 (Administrative & General Salaries)—Labor Ratios.

921 (Office Supplies & Expenses)—Labor Ratios.

922 (Administrative Expenses Transferred—Cr.)—Labor Ratios.

923 (Outside Services Employed)—Labor Ratios.

924 (Property Insurance)—Functionalize on the ratio of Production, Transmission, and Distribution Gross Plant including General Plant.

925 (Injuries & Damages)—Labor Ratios.

926 (Employee Pensions & Benefits)—Labor Ratios.

927 (Franchise Requirements)—Functionalize to Distribution/Other.

928 (Regulatory Comm. Fees & Expenses)—Functionalize to Distribution/Other.

929 (Duplicate Charges—Cr.)—Labor Ratios.

930.1 (General Advertising)—Functionalize to Distribution/Other.

930.2 (Miscellaneous General Expenses)—Functionalize to Distribution/Other.

931 (Rents)—Functionalize to Distribution/Other.

### 3. Revenue Accounts:

447 (Sales For Resale)—Functionalize to Production.

450–455 (Other Operating Revenues)—Functionalize to Production.

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456 (Wheeling Revenues)—Functionalize to Transmission.

(C) The following accounts shall be functionalized as follows:

107, 120.1 (CWIP)—Functionalize to Distribution/Other.

108 (PIS Depreciation Reserve)—The same functionalization used for accounts 310–373, Plant in Service (PIS).

108 (General Plant Depreciation Reserve)—Functionalize according to the General Plant ratio.

111 (Accumulated Amortization)—The same functionalization used for accounts 301–303, Intangible Plant.

256 (Deferred Gain from Disposition of Utility Plant)—The same functionalization used for account 105, Electric Plant Held for Future Use.

403–407 (PIS Depreciation Expense)—The same functionalization used for accounts 310–373, Plant in Service.

408.1 (Other Taxes)—With the exception of property taxes and labor related taxes, all

taxes will be functionalized to Distribution/Other. Property taxes will be functionalized using the gross plant ratio including general plant. Labor related taxes will be functionalized using labor ratios.

409.1, 410.1, 411.1, 411.4 (Income Taxes)—Functionalize to Distribution/Other.

932 (Maintenance of General Plant)—Functionalize according to the ratio developed from the functionalized totals of accounts 390, 391, 397 and 398.

411.6, 411.7 (Gain from Disposition of Utility Plant)—The same functionalization used for account 105, Plant Held for Future Use.  
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(Approved by the Office of Management and Budget under control number 1902–0096)

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